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Chief, Finance Division

Deputy Comptroller

Proceeds From the Sale of Automobiles

JUL 9 1954

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626	

REF : Your memorandum dated 2 July 1954; same subject

1. A procedure for the application of proceeds from the sale of personal property to the purchase price of similar replacement items is being prepared by the Technical Accounting Staff. In brief this procedure will provide that proceeds from the sale of personal property will be available during the fiscal year in which the proceeds were received and for one fiscal year thereafter for use in purchasing personal property which is similar to the property disposed of. It will also provide that the funds which are not so used within such time limit will be treated as miscellaneous receipts and paid into the Treasury of the United States.
2. It is the view of this office that funds received in fiscal year 1954 which represent the proceeds from the sale of automobiles should be handled in accordance with the proposed procedure as briefly stated above. Accordingly, it is suggested that you transfer from account 650.9 - Current Income - Proceeds From the Sale of Automobiles to account 350 - Deferred Credits the amounts received in fiscal year 1954 representing the proceeds from the sale of automobiles and that any balance remaining in account 650.9 be transferred to account 650.1 - Current Income - Miscellaneous Receipts. An amount equivalent to the amount transferred to account 650.1 should also be debited to account 490 - Funds Returned to U. S. Treasury with contra credit to an appropriate Agent Cashier account when the funds are disbursed to the U. S. Treasury.
3. When the proposed procedure is released, the Manual of General Ledger Accounts for the Finance Division will be appropriately revised. Pending the release of the proposed procedure and the revision of the Manual of General Ledger Accounts similar amounts received in fiscal year 1955 should be recorded in account 350.
4. The authority for the proposed procedure is contained in Section 8, Public Law 600 (60 Stat. 808), dated August 2, 1946 and General Accounting Office Accounting Systems Memorandum No. 23 - Revised, dated June 19, 1953. As a further understanding of the authority supporting this procedure and the limitations within which exchanges may be made, pertinent extracts from the law, certain Comptroller General Decisions and Accounting Systems Memorandum No. 23 - Revised follow:

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(1) Public Law 600 reads:

Sec. 8. In purchasing motor-propelled or animal drawn vehicles or tractors, or road, agricultural, manufacturing, or laboratory equipment, or boats, or parts, accessories, tires, or equipment thereof, or any other article or item the exchange of which is authorized by law, the head of any department or his duly authorized representative may exchange or sell similar items and apply the exchange allowances or proceeds of sales in such cases in whole or in part payment therefor: Provided, that any transaction carried out under the authority of this section shall be evidenced in writing.

(2) Syllabi of Comptroller General Decisions:

23CG931 (Comptroller General Decision, Book 23, Page 931)

" . . . to exchange or sell 'similar' used items when purchasing equipment . . . and to apply the exchange allowance or sale, proceeds to the purchase price does not constitute authority to intermingle the various categories of specific items; rather, the equipment to be exchanged or sold and that purchased must be of the same or equivalent general character, that is only a truck may be sold or exchanged in payment for a truck, a boat for a boat, etc.

" . . . to exchange or sell 'similar' used items when purchasing equipment, and parts and accessories therefor, . . . and to apply the exchange allowance or sale proceeds to the purchase price, motor parts for one type of vehicle may not be exchanged for motor parts for a different type, nor may a vehicle be exchanged for parts for either the same or any other type of vehicle; however, the exchange or sale of used parts in connection with the purchase of parts - identical or not - for use on the same type of vehicle is authorized.

26CG729

" . . . authorizing application of the proceeds of sale of used vehicles, etc., toward the purchase of new similar items, does not require that the old items be actually sold when the new are ordered, and, therefore, the proceeds of sale may be applied toward the purchase price even though the sale and purchase are not simultaneous, provided the transactions are so identified with each other as to permit a determination that the items are sufficiently similar to fall within the purview of the statute.

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" . . . authorizing application of the proceeds of sale or the exchange allowance of used vehicles, etc., toward the

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purchase of new similar equipment, two or more old units of equipment may be traded in or sold and the proceeds thereof applied toward the purchase of a replacement for the old; however, if the old equipment is surplus, the exchange or sale thereof in connection with the purchase of new is not authorized - it being for disposition under the applicable provisions of the Surplus Property Act of 1944."

- (3) Accounting Systems Memorandum No. 23 - Revised; subject Accounting for the Proceeds of Sales of Personal Property reads in part as follows:

"...all funds obtained from the sale of personal property will be available during the fiscal year in which the sale is made and for one fiscal year thereafter for obligation for the purchase of similar replacement items of personal property. . . ."

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TAS/LAB:jh (8 July 54)

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